



# FSDT FOCUS NOTE

# BIMA CHALLENGE

Stimulating innovative inclusive  
insurance for all Tanzanians



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## Glossary



ATI

Association of Tanzania Insurers

FSDT

Financial Sector Deepening Trust

ILO

International Labour Organisation

MFI

Microfinance Institution

MNO

Mobile Network Operator

NIEC

National Insurance Education Committee

NIES

National Insurance Education Strategy

SACCOS

Savings and Credit Cooperative Organisations

TIRA

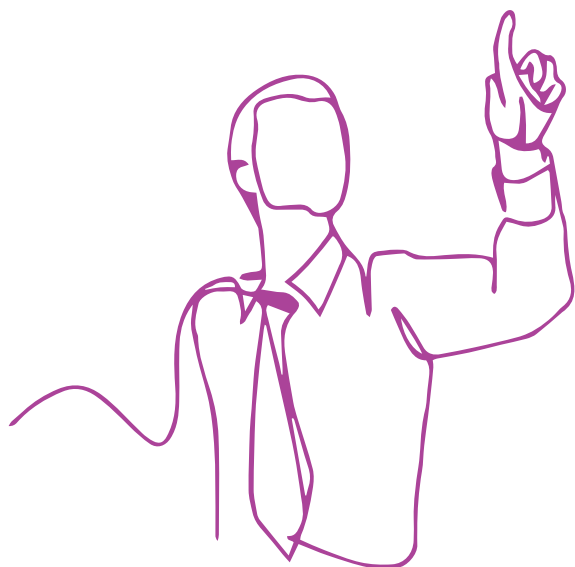
Tanzania Insurance Regulatory Authority

TWG

Microinsurance Technical Working Group

VSLA

Village and Savings Loans Association



## Financial Sector Deepening Trust (FSDT)'S Goal



All Tanzanians to derive value from regular use of financial services which are delivered with dignity and fairness.

## FSDT Purpose



A financial sector in which stakeholders implement policies, regulations and solutions which are innovative and responsive to the needs of MSMEs, individuals and smallholder farmers.



# Introduction



Over the past decade, remarkable progress has been made in improving financial inclusion in terms of the number of adults using formal financial services, the adoption and usage of digital platforms and massive investments by the private sector. However, despite such positive development, the insurance sector is lagging with take-up at just 15% of the adult population in 2017 .

It is clear that new thinking is required to catalyse the insurance industry to play its part in the financial inclusion agenda. This focus note presents the Bima Challenge, a landmark project promoting innovative new solutions that aim to build inclusive microinsurance by addressing risk-related challenges which low-income customers are facing. The Financial Sector Deepening Trust (FSDT) is delighted with the achievements it has enabled and is keen to share the learning gained from this pioneering initiative to help inform widespread development of the microinsurance industry.

## Insurance market in Tanzania

The insurance industry in Tanzania is still relatively new and the take-up of insurance services stood at 15% in 2017, an increase of just 2% since 2013 . Contribution was just 0.53% of GDP over 2018, despite the 7% growth of Gross Written Premium annually. With over a quarter of the population remaining below the poverty line, nearly 80% working in agriculture or informal employment and 66% living in remote rural locations, over 45 million Tanzanians are excluded from the financial protection of insurance.

At present, the microinsurance market in Tanzania offers life, health, personal accident, funeral and crop insurance. As in other evolving microinsurance markets across the world, mobile network operators (MNOs) are driving the increase and scale in Tanzania and currently account for 50% of the market against 36% for banks and 24% for MFIs (microfinance

institutions), SACCOS (Savings and Credit Cooperative Organisations) and tied agents.

To offer low-income groups affordable, accessible and appropriate microinsurance solutions, there is a need for viable business models that can address both demand and supply challenges and offer client value.

## Definition of microinsurance

**Insurance that is accessed by the low-income population, provided by a variety of different entities, but run in accordance with generally accepted insurance practices."**

**→ International Association of Insurance Supervisors**

**Microinsurance can help poor households protect themselves against risks and shocks that life inevitably brings. Without access to risk mitigation tools, insurance or adequate social security services, low-income groups are extremely vulnerable and ill-equipped to meet unexpected and potentially devastating losses.**

**→ Human-Centered Insurance, Jeanette Thomas, CGAP, Head of Knowledge, Web and Communications, May 2014**

1. FinScope Tanzania 2017 study

2. Ibid

3. TIRA's Annual Insurance Market Performance Report, 2018

4. FinScope Tanzania 2017 study

# Background to market transition



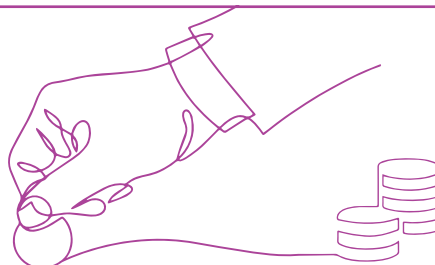
In order for insurance providers to develop solutions that support improved risk management for low-income groups and present commercial opportunities, it is essential for them to understand the challenges facing potential clients, suppliers and regulators.

## Challenges for low-income groups



Historically, there has been a lack of robust, client-driven market research that addresses the “relevance” gap between existing products targeting wealthy, educated, formally employed, urban Tanzanians and the needs of the low-income population segment, of whom the majority live in remote and rural communities.

FSDT’s FinScope studies show that most people on low incomes have seasonal or informal employment and lack literacy and numeracy skills, as well as sufficient understanding of how insurance could improve their lives. A further barrier to take-up is that most microinsurance documentation is written in English, which is not widely understood among the target market.



### FinScope Tanzania 2017



**45 million Tanzanians excluded from insurance services**

**Just 15% population using insurance services**  
**Only 2% increase in take-up between 2013 and 2017**

**Quarter of the population remain below the poverty line**

**Nearly 80% of population working in agriculture or informal employment and 66% living in remote rural locations**

“Without health insurance, I have to ask neighbours to help pay for healthcare or use traditional medicine to treat sickness.”



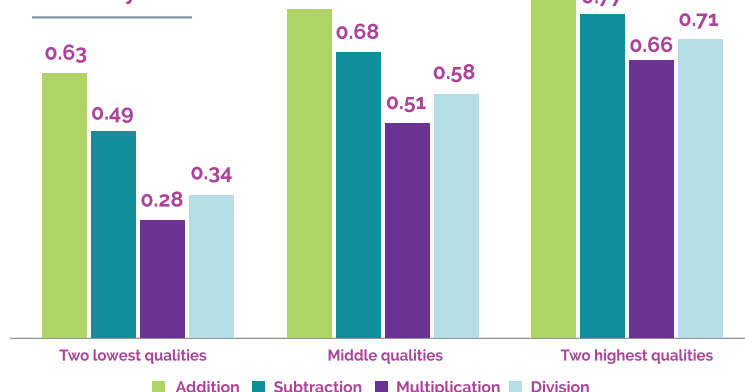
**Tausi, a single unemployed mother in the Songwe region**

**Tables illustrating the literacy and numeracy levels in the country**

#### Literacy level



#### Numeracy level



**Source: FinScope Tanzania 2017**



**Source: FinScope Tanzania 2017**



Many Tanzanians who are excluded from insurance face multiple risks linked to natural hazards and health issues. The majority do practice risk mitigation through informal coping mechanisms which can be both preventative or reactive to urgent needs, but which include praying for the best, selling assets, borrowing or finding cheaper alternatives to meet their needs. These mechanisms have become established in low-income communities and thus present a challenge to take-up when compared with an unknown microinsurance product offer which may not seem appropriate, affordable or accessible, especially at the on-set.

#### ■ Accessibility and affordability

As well as the physical distance and investment required to reach remote locations in Tanzania, there are widespread challenges in registration for financial services among many people in low-income groups due to lack of bank accounts and national ID documentation (required by the Know-Your-Customer (KYC) regulations) and the inability to read instructions or complete insurance application forms.

Although disposable income can be perceived as a barrier for low-income groups, FinScope Tanzania 2017 showed that members of the lower wealth quintiles do save, some using formal mechanisms, with the majority using informal mechanisms such as saving at home, or with family or friends.

#### ■ Client value and trust

Until the late 1990s, there was only 1 insurance company providing microinsurance, but facing considerable challenges to offering cost-effective, profitable solutions that were affordable and accessible for low-income groups, particularly those living in remote, rural areas.

In addition, many people do not understand the benefits of insurance because most insurers haven't spent time "heavy lifting" to provide not only products and services, but relevant explanations of the costs, benefits, claims processes and ways insurance can provide improved risk management to their existing coping mechanisms.

### Perceptions of insurance among individuals

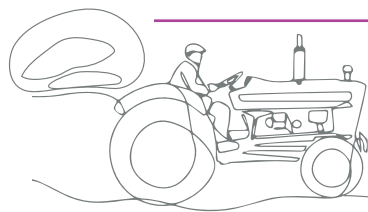
✚ It can provide a peace of mind; since it covers unexpected expenses

■ Low levels of trust in the insurance companies to honour claims if something goes wrong

➔ Source: FinScope Tanzania 2017 study



# Challenges for suppliers



In 2018, according to TIRA's Annual Insurance Market Performance Report, the insurance sector, comprising 31 insurance companies, 1 reinsurance company, 109 brokers, 635 agents and 55 loss assessors and adjusters, had successfully developed a life and general insurance market. However, with targeting historically limited to "cash cow" segments in Tanzania, namely corporates and wealthy, urban and educated individuals, there has been little market growth due to lack of market expansion to other segments of the population and continued low penetration among low-income groups.

## ■ Traditional thinking within the insurance sector

According to FSDT's Microinsurance Landscape 2015 survey, the target market for insurance has traditionally been highly competitive within the same narrow client base due to the underlying perception that the majority of Tanzanians cannot afford insurance, that demand is low and that insurance for low-income groups would be risky with little return.

In fact, the Microinsurance Landscape 2015 study has also shown that there is demand for insurance among low-income groups, but it has not been realised due to lack of education, awareness and knowledge among these groups of the value and benefits of insurance in personal and business risk mitigation.

## ■ Lack of strategic focus

Microinsurance represents a small proportion of most insurers' portfolios with just a few companies and brokers who recognise the long-term business opportunity of expanding their product offer and reaching new markets. It is clear that existing approaches to providing insurance cannot overcome barriers within the low-income market. Without positive microinsurance use cases, traditional insurance companies and brokers lack board-level support and commitment for long-term investment in untried and innovative business models.



With sustained effort, microinsurance can help the majority of Tanzanians who are living in poverty to improve their lives.

Recognising that social and medical infrastructures were not supporting low-income groups, we launched a microinsurance pilot in 2016 with board-level support and donor funding. Our business model was based on the understanding that short-term returns could be low, but the long-term potential is significant, both financially and in terms of overall brand value.

Our test has been successful, and we are using the learning to make improvements and develop our microinsurance portfolio."



George Alande, Jubilee Insurance, CEO until 2017





### ■ Limited supplier capacity

As business focus has not been on low-income groups, investment in capacity-building for microinsurance among insurance professionals has been limited. Without committed company-wide policies to gather and understand evidence, many insurers lack sufficient capacity to overcome the challenges of microinsurance demand and supply and access the untapped opportunity it presents.

### ■ Barriers to achieving scale

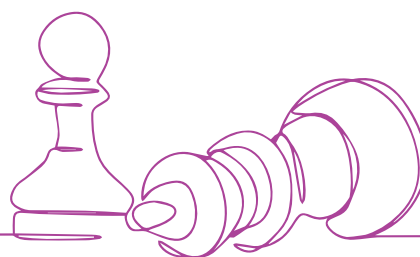
Microinsurance's low premiums limit underwriting profit unless they are at scale and, as most insurers do not have the required infrastructure and distribution networks, there are widespread challenges within the sector to providing solutions to large numbers of clients living in remote and rural areas.

In addition, with long-term investment cycles, there are few examples of viable and sustainable business cases for microinsurance as profitability is affected by a number of factors including distribution, personnel, technology and partner-

ships. For these reasons, microinsurance products have either been embedded in insurance packaged offers or been launched with ill-conceived product offers or lack of research, piloting, testing and customer feedback.

### ■ Competition

Although there are few private sector competitors within the microinsurance sector, the health insurance sector is one area where the government has intervened in the low-income market. Government schemes include the Community Health Fund (CHF), a community-based pre-payment scheme; the National Health Insurance Fund (NHIF), a contribution scheme which is mandatory for government employees and the voluntary Social Health Insurance Benefit (SHIB) which is aimed at the informal sector employees and people living in rural areas.





# Legal and regulatory challenges



In 2012, penetration of the microinsurance market stood at just 7.3% of the population and insurance laws and regulations were based on traditional business models, distribution channels and industry-client relationships. Since then, there has been growing recognition among lawmakers and regulators of the need for a supportive environment to grow the microinsurance sector and contribute to the national financial inclusion agenda, economic development and increased employment.

## History of regulatory change

Year	Key actions impacting insurance sector	Key stakeholders	% population benefitting from insurance
1991	Banking and Financial Institutions Act (BFIA) – to allow the private sector to enter the financial arena	Bank of Tanzania	
1996	Insurance Act	ISD	
	Institutionalisation of the Insurance Supervisory Division (ISD)		
2009	Insurance Act	TIRA	
	Establishment of Tanzania Insurance Regulatory Authority (TIRA)		
2012	<i>Tanzania Access to Insurance Diagnostic</i> – study to assess the market and regulatory imperatives of the microinsurance landscape	Centre for Financial Regulation and Inclusion (CENFRI), commissioned by FSDT	7%
2013	Microinsurance Regulations - to better define and quantify the micro-insurance market	TIRA	13%
	<i>FinScope Tanzania</i> study	FSDT and National Council for Financial Inclusion	
2014	National Financial Inclusion Framework (NFIF) – to increase financial inclusion to 50% of the population by 2016	National Inclusion Council with sector stakeholders	
2015	<i>Microinsurance Landscape</i> survey	FSDT, Microinsurance SC and TWG	
2017	<i>FinScope Tanzania</i> study	FSDT and National Council for Financial Inclusion	15%
2018	National Financial Inclusion Framework (NFIF 2.0) 2018-2022	National Council for Financial Inclusion with other stakeholders	
	National Insurance Education Strategy	TIRA	
	National insurance strategy with target of 50% of adult population, 24 million people, with access to insurance by 2028 and the aim to increase GDP contribution to 3%.	TIRA	
By end 2019	Bancassurance regulations Launched on 13 May 2019, there were 6 banks licensed at time of publication.	TIRA and Bank of Tanzania	

## Tanzania Insurance Regulatory Authority (TIRA)

“Our aim is to encourage inclusive insurance (financial inclusion in insurance) through needs assessment initiatives and innovation, to align the industry to the needs of the population and mobilise resources to improve the livelihood of Tanzanians.”

→ Oyuke Phostine, TIRA, Corporate Communications Officer.

FinScope Tanzania 2013 showed that the landscape of the finance sector had radically changed with new entrants from the field of telecommunications and fintech, leading to a rise in formal financial inclusion to 58%, already exceeding the 2014 National Financial Inclusion Framework (NFIF) target.

Penetration of the insurance sector continued to remain low, so new thinking was required at government and regulator level to create an enabling environment to support greater expansion of the low-income market and to overcome barriers to supply and demand.

### ■ Traditional insurance laws and regulations

Until recently, insurance laws and regulations were based on existing practices and business models of face-to-face registration and written documentation, as the majority of the target market were literate and based in urban areas. FinScope Tanzania 2017 clearly demonstrated that the low-income market requires alternative offers due to lack of available income to cover lump sum annual premiums, low levels of financial education and literacy and inadequate distribution networks to reach remote, rural areas.

New thinking in the provision of affordable, appropriate and accessible insurance requires new approaches in drawing up microinsurance legislation and regulations to ensure that customers, the majority of whom are likely to be first time insurance buyers, are making informed financial choices and that policy holder-insurer expectations and agreements, contained within the policies, are honoured.

### ■ Nationwide lack of awareness, knowledge and education regarding insurance

The insurance sector faced significant challenges to contributing to the financial inclusion agenda due to the complexity of products and lack of appropriate distribution networks to reach low-income groups. The challenge for the Tanzania Insurance Regulatory Authority (TIRA) was to both respond to market changes and support the development of inclusive insurance solutions based on unfamiliar business models.

To tackle the lack of awareness and education, with support from FSDT, TIRA, in conjunction with the National Insurance Education Committee (NIEC), launched the National Insurance Education Strategy (NIES) in mid-2018. The NIES is a joint initiative to create and deliver a comprehensive insurance education strategy with all insurance players on board.



# Tanzania's national microinsurance strategy



The 2012 Tanzania Access to Insurance Diagnostic study revealed that 45 million people were excluded from insurance services. In September 2013, recognising the contribution that microinsurance could make to financial inclusion and to the national economy, a private-public partnership of multi-sector stakeholders formed a Microinsurance Steering Committee (SC) and Microinsurance Technical Working Group (TWG) to develop and implement a national inclusive insurance strategy. Led by the Tanzania Insurance Regulatory Authority (TIRA), with FSDT, the International Labour Organization (ILO) and the Association of Tanzania Insurers (ATI) as key stakeholders, the objectives of the TWG and its sub-committees are to stimulate effective demand, build responsive supply, create an enabling environment and support stakeholder coordination and strategy leadership.

Tanzania is a pioneer in establishing a supportive regulatory environment as one of the first countries in Africa to issue microinsurance guidelines. To keep pace with innovation, TIRA has not only created the Microinsurance Regulations in 2013, but also adopted a forward-thinking approach of “test and learn”. The aim of this approach is to encourage new solutions that meet the needs of low-income groups, whilst continuing to ensure that customers are protected, fraud is discouraged and contractual obligations are secured.

To address barriers to both the supply and demand of microinsurance, the TWG reached out to the insurance industry to support capacity-building, market research, customer education and business cases.

Spearheaded by microfinance institutions, mobile network operators (MNOs) have begun to play an ever-increasing role in microinsurance, providing new approaches by investing in customer knowledge, targeting large client bases across socio-economic groups, offering affordable solutions and creating new distribution channels for hard-to-reach areas.

TIRA has therefore encouraged insurers to develop partnerships within this new market, to apply existing multi-sector knowledge and experience to build capacity and overcome the market challenges of microinsurance.

## Strengthening the supply of microinsurance



To contribute to the expansion of insurance across the country and the growth of inclusive insurance, the TWG adopted the following objectives to strengthen the supply of microinsurance:

- Investment in greater information availability through industry knowledge and learning platforms and microinsurance innovation seminars
- Investment in in-depth research on the low-income market segment to better understand the opportunities and appropriate delivery channels
- Integration of consumer education into marketing and sales strategies of products embedded in other services
- Building business cases leading to innovations in product design and delivery
- Improved supply and uptake of capacity-building services

### Tanzania Insurance Regulatory Authority (TIRA)

In 2018, TIRA set the national target for:

**50%** of adult population,  
**14** million people, with access to one or two insurance products by 2028 and the aim to increase GDP



## FSDT's contribution to the evolution of microinsurance



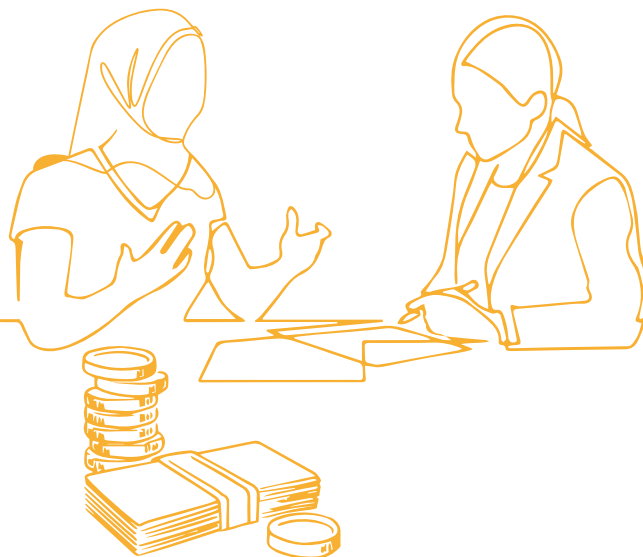
Since 2004, FSDT has pursued its goal that all Tanzanians and businesses derive value from regular use of financial services which are delivered with dignity and fairness. To achieve its goal, FSDT works as a market facilitator, with a strategy to catalyse market innovation and interventions, enabling stakeholders to implement policies, regulations and solutions which are responsive to the needs of individuals, particularly those from low-income groups.

To catalyse the insurance sector to make a more significant contribution to financial inclusion, FSDT has been working to ensure productive dialogue among industry players to identify and address the gaps in supply and demand.

Ongoing initiatives include an engagement strategy of industry-focused fora and networking events to share knowledge and experience. This strategy aims to help build capacity in the insurance sector and to encourage multi-stakeholder partnerships across complementary industries, including microfinance, telecommunications and fintech.

A key partnership activity is FSDT's support of TIRA's Corporate Strategic Plan (2019/20-2023/24) which focuses on three major strategic themes, namely research and market stimulation, consumer protection and education, as well as organisational sustainability.

Among the collaborative efforts is the agreement to increase knowledge and awareness of microinsurance and, over 2018 and 2019, FSDT has made good progress in building capacity within the insurance sector and public through the development of in-country trainers for insurance professionals and public awareness campaigns which can help address the impact of low literacy and knowledge on take-up and usage.



Together with TIRA, the ATI and a wide range of associations, regulators, pension funds and Chambers of Commerce, FSDT has also played a key role in the microinsurance Technical Working Group (TWG). As well as connecting and galvanising industry players and new entrants, its contribution has been to provide evidence, thought leadership and technical training to inform forward-thinking national policies. FSDT has led on the design and implementation of the **Bima Challenge**, a key initiative in the drive for the development of innovative solutions that contribute to a sustainable inclusive insurance sector.

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### FSDT

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“The role of the insurance theme at FSDT is to be a market facilitator working with partners to achieve improved capacity and sustainability of the insurance sector to meet the needs of those who have been excluded or underserved, namely MSMEs, those on low incomes, young people, women, farmers and those living in rural areas.”



**J. Kemibaro Omuteku, FSDT, Head of Insurance and Consumer Protection**

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# Bima Challenge design



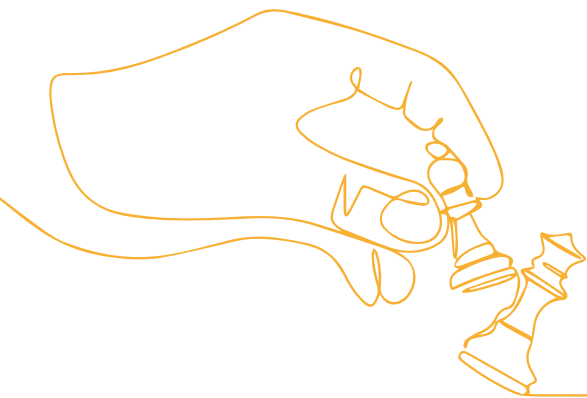
In its commitment to stimulate innovation in the business sector, FSDT has set a number of commercial market challenges including the SME Innovation Challenge Fund (ICF). In each, businesses or partnerships were encouraged to submit proposals for solutions to meet market challenges. A team of expert panellists assessed the proposals to select winners, based on the criteria of each challenge.

The learning from these initiatives led to the identification of the market gap in insurance for low-income groups and the potential for innovation, given adequate technical support, time and expert advice. In addition, the ICF showed the importance of open engagement within the insurance and related sectors, both in Tanzania and globally, to attract applications, gain insight into how to develop innovative ideas and to excite the market to innovate.

With little progress in the development of an inclusive insurance sector, evidence from Fin-Scope studies and other research reports pointed to the need for new thinking and approaches to overcome demand and supply challenges and develop a sustainable microinsurance market.

The low participation of insurers in the micro-insurance space has been attributed to limited financial and technical capacity, as well as inadequate market knowledge to develop viable business models that are appropriate, accessible and affordable for the low-income market segment.

The **Bima Challenge**, led by FSDT working with and endorsed by members of the Micro-insurance Technical Working Group (TWG) and Microinsurance Steering Committee (SC), is a pioneering market facilitation tool aimed at strengthening the supply of inclusive insurance and is intended to contribute to scale, client value and sustainability of microinsurance solutions and the national financial inclusion agenda. Winners receive technical support, capacity building and co-funding via a matching grant of up to 100,000 USD to successfully implement their ideas.



Proposal evaluation and technical assistance was provided by a panel of experts including Margaret Ikongo (Chartered Insurer who has worked in insurance field since 1983), George Mulamula (Chair of FSDT Investment Committee and expert in entrepreneurship and innovation), Richard Sentongo (National Microinsurance Co-ordinator for Tanzania (MICOORD) until October 2017), J. Kemibaro Omuteku (FSDT's Head of Insurance and Consumer Protection) and Christian Mpalanzi (FSDT's SME Finance Advisor).

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## Aim of the Bima Challenge

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**Accelerate the development of an inclusive insurance market in Tanzania using a strategy to:**

- catalyse private sector investment
  - stimulate innovations required to develop and deliver appropriate risk management solutions
  - support investment by market players in unfamiliar territories
  - promote profitable business models that extend insurance services to underserved or un-served population segments
  - contribute to knowledge of viable models for inclusive insurance services
  - complement FSDT's FinDisrupt Insurance initiative
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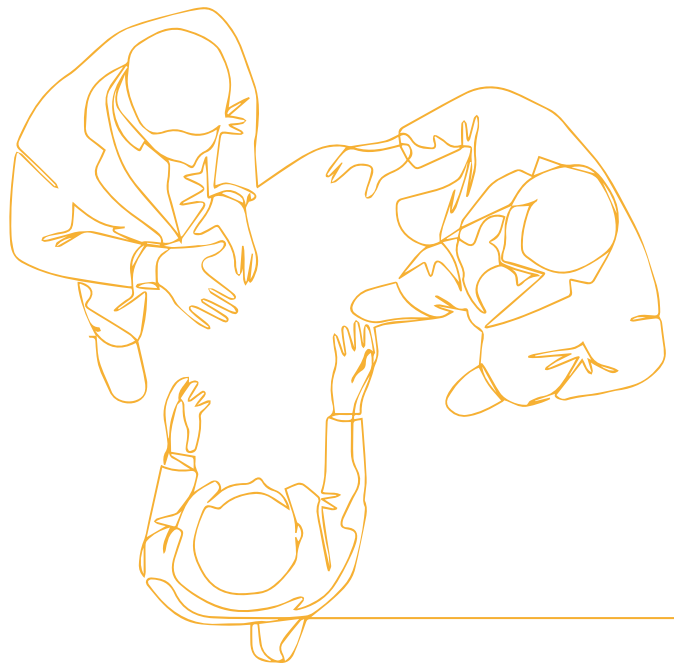
## Open engagement strategy



FSDT has pursued an active engagement approach, hosting industry-focussed fora to share evidence and insights and provoke discussion among industry players.

To explore the potential of human-centred insurance solutions for low-income groups, FSDT launched an innovation sprint, FinDisrupt. The 3-day event was well attended and demonstrated the value of one-to-one field research with people from target market segments and the potential to be gained by investing in inclusive insurance.

Building on the positive results of FinDisrupt, the **Bima Challenge** was launched in June 2016 to encourage increased capacity to address challenges to inclusive insurance, open not only to insurers in Tanzania, but also complementary industries and organisations outside the country. Industry fields targeted included Savings and Credit Co-operative Organisations (SACCOS), microfinance institutions (MFIs), pension funds, reinsurers, Village Savings and Lending Associations (VSLAs), development organisations, fin-techs, start-ups and mobile network operators (MNOs).



The intent was for applicants to forge strategic win-win-win partnerships to develop proposals not only for products, but also processes, technology, distribution channels and innovative business models. The Challenge aimed to fund pilot activity, technical assistance, capacity-building, market research and development and feasibility studies, but would not fund general operating costs, salaries, fixed assets or premiums, transaction or license fees. The Challenge also required the pitchers to be able to raise 50% of the grant.





# Implementation



FSDT has been working to create a community dedicated to the evolution of insurance solutions in Tanzania that can contribute to the financial inclusion agenda. As well as developing this cohesive community, FSDT has stimulated new thinking by bringing together industry regulators, associations, players and representatives from NGOs and the fields of microfinance, community groups, fintech and telecommunications.

These stakeholders were brought together in early 2017 for the second *FinDisrupt*, *FinDisrupt Insurance*, which aimed to further the reach and innovation stimulated by the launch of the Challenge.

Building on the ongoing open engagement strategy, the **Bima Challenge** acted as a strong catalyst to provide the necessary financial and technical support to allow organisations to develop ideas and test microinsurance solutions in the real world.

## Market participation



For the **Bima Challenge** to achieve its objective to stimulate the development of an inclusive insurance sector, it was necessary to raise awareness of the opportunities presented by microinsurance among not only the insurance companies, brokers and agents, but also complementary industries.

FSDT has developed good partnerships with insurance industry regulators and associations, as well as MNOs, financial service providers, fintechs and NGOS. Insurance regulators and associations supported the initiative and added strength to the marketing effort by validating the benefits of the **Bima Challenge** at industry events that they had hosted.

## Pull strategy



Using the resources and expertise of a dedicated marketing agency, the FSDT Communications team led a successful campaign to raise awareness, interest and excitement among appropriate stakeholders.

The campaign worked to generate excitement among targeted sectors to learn more about the **Bima Challenge** and to submit ideas. The pull strategy used a “Coming soon” message in all media, including insurance industry events, with strong branding to maximise the multi-channel approach.

The campaign channels included events (FSDT’s innovation sprint events (*FinDisrupt Insurance* and *the Huddle*), digital finance and insurance industry fora); radio and press coverage and pictorials; and advertisements in digital, printed and social media which both targeted tech-savvy individuals and acted as a forum for discussion and questions and answers

Public relations will be employed to continue the momentum and awareness of the **Bima Challenge** to targeted organisations and other stakeholders. Emerging lessons and insights from the projects will be shared through articles, editorials and focus notes.

### FinDisrupt Insurance, March 2017

FSDT hosted a week-long innovation sprint, *FinDisrupt Insurance*, to address behavioural change in the insurance sector and drive innovation, by bringing end-user evidence to the heart of product development.

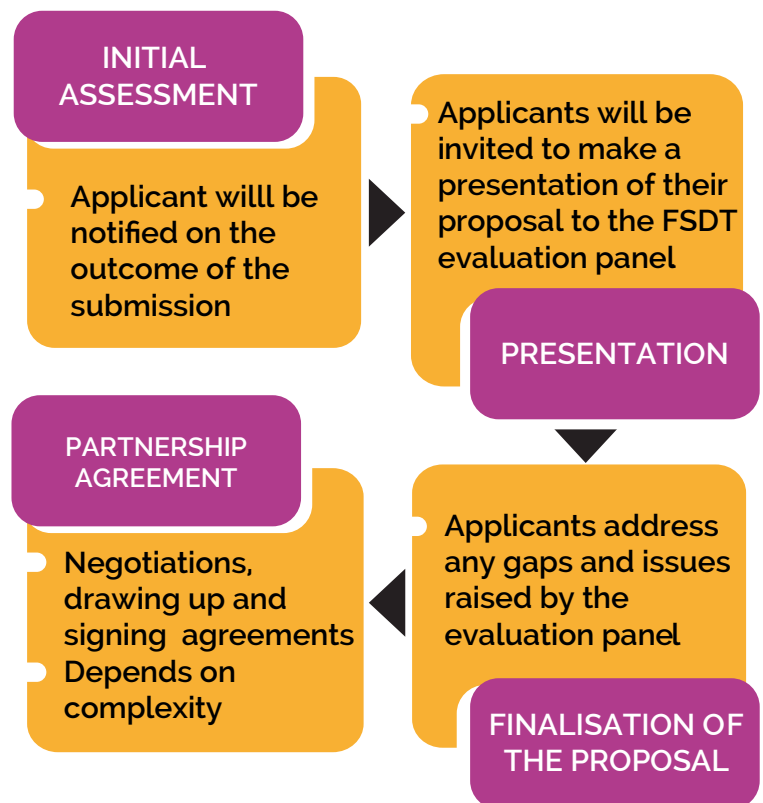
The event was attended by over 20 professionals representing insurance and pension companies, mobile network operators (MNOs), aggregators, umbrella bodies, regulators, developers and representatives from other FSDs in Africa.

# Open and interactive application process

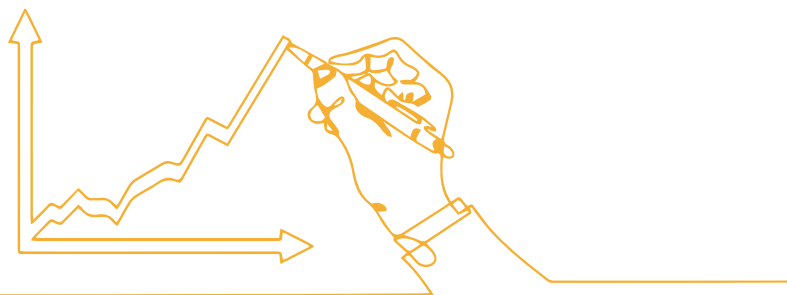


Unlike other similar competitions, the **Bima Challenge** encouraged dialogue between applicants and the evaluation panellists to encourage entrants to maximise their potential to satisfy the evaluation criteria. The aim of the application process was to be as simple as possible to encourage the widest range of applicants.

- **Bima Challenge** was launched in June 2016 with the implementation of a pull strategy
- The initial stage was to submit an online application form outlining the proposed project objectives and purpose, a detailed description, together with a work plan, budget, resumes and company information and any partnership agreement documentation
- The panellists evaluated and scored proposals independently
- All applications were acknowledged by email and/or letter and some entrants were asked to resubmit their proposals including input on the gaps which had been identified by the evaluation panel
- The panellists received the total scoring results before the presentations and began working as a team
- Shortlisted applicants were then invited to come and make presentations to the panellists in support of their application and to discuss their proposal with the panellists to address gaps and issues together
- The panellists carried out due diligence at the applicants' place of work and also through field visits with short-listed applicants across Tanzania
- Once the panellists were satisfied that the proposals had met the objectives, negotiations were begun, and project planning concluded prior to signing a partnership agreement



# Performance evaluation



The **Bima Challenge** aimed to support the development of at least 4 new inclusive insurance solutions, piloted and implemented and targeting low-income clients.

FSDT received 32 online applications. Having scored each application individually against the evaluation criteria, the panellists from FSDT collated the scores and selected a shortlist of 12 entrants to present their ideas to the full panel of judges. The shortlist was notified of their success by letter.

Wherever possible, applicants who were not shortlisted, due to shortfalls in their applications, were notified by letter with details on the gaps in their application and an invitation to submit a revised application. 7 applicants submitted revised applications, 5 were winners of whom 3 have completed pilot projects and gathered learning.

At the presentations, having had extensive discussion on the viability of proposals, some applicants were encouraged to revise strategies and make a further presentation. When the panellists were satisfied that the proposals met the evaluation criteria sufficiently, office and field visits were organised to conduct due diligence to ensure the feasibility of their ideas and to explore ways to maximise the potential of their business models. KPIs varied according to solution proposed.

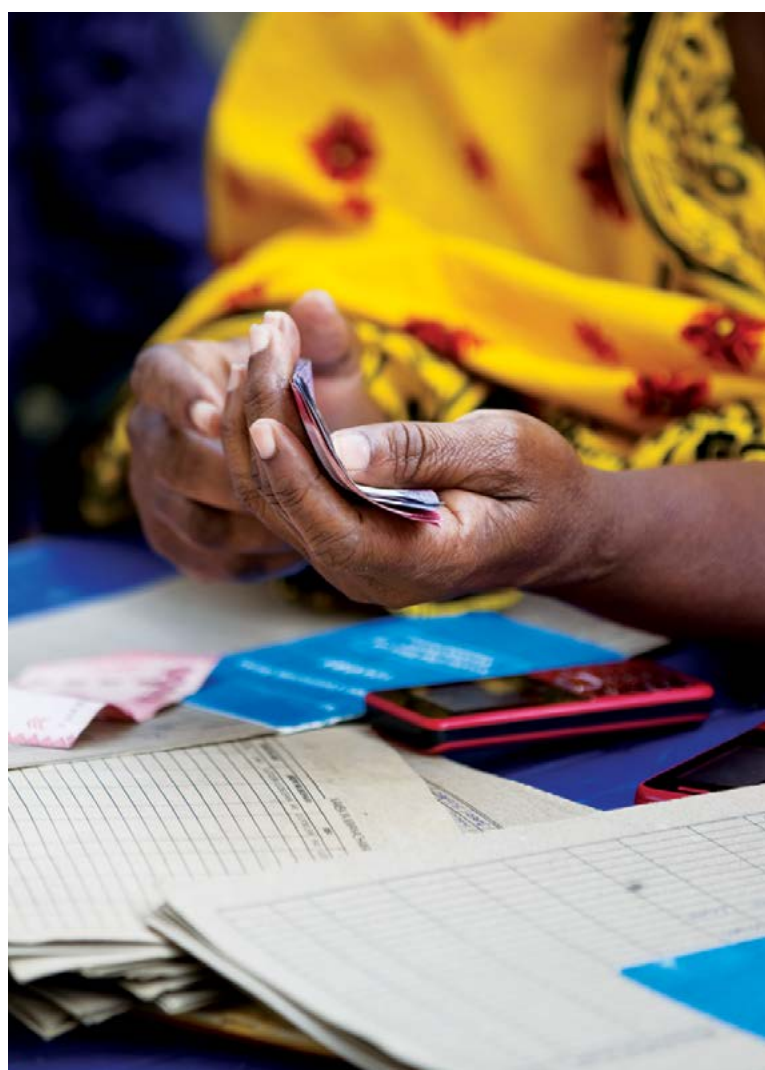
Winners were notified by letter and/or email, following negotiation, contracts were drawn up and signed.

FSDT's Head of Insurance and Consumer Protection is responsible for managing the results chain project management and monitoring tool. Dependant on the proposed solutions and the nature of funding, for some winners, key performance indicators which required regular reporting were:

- Incurred expense ratio
- Incurred claims ratio
- Net income ratio
- Renewal rate
- Promptness of claims settlement

## Bima Challenge evaluation criteria

- Innovation
- Market orientation
- Feasibility
- Viability and sustainability
- Applicant capabilities and commitment





## Winners

EdgePoint Digital Limited



### Product: Jamii

**Bima Challenge** aim: To launch a commercial pilot providing an affordable mobile micro health insurance cover to low-income groups in four regions in Tanzania (Mwanza, Mbeya, Arusha and Kilimanjaro)

### Objectives:

- Health insurance and awareness-raising through experiential and above-the-line marketing campaigns in the Mbeya region
- Data assessment, resolving any hospital related issues in the Jamii network and customer support using the Jamii call centre
- Enable mobile marketing and awareness through a call centre using the Vodacom customer base
- Build capacity of agents and territory managers for awareness/activation in various parts of the regions

**Partners:** Jubilee Insurance (Insurer) and Vodacom Tanzania (MNO)

**Achievements to date:** The Jamii solution is customer centric in terms of the registration process, pricing, rich benefits for both inpatient and outpatient, benefit ledger management, and quality medical care. The Jamii platform is user friendly and available on both USSD and a mobile application for both patients and healthcare providers.

Jamii patients are empowered to “utilise” their benefits where and how they choose for either medical treatment or health check-ups.



## Challenges:

- Lack of insurance knowledge among potential clients has slowed down the enrolment process. However, there have been successful strategies deployed, starting with educating and training sales agents whilst deploying other marketing channels, for instance above-the-line through regional radio stations.
- A group recruitment strategy was adopted following lower than planned results from the customer acquisition strategy of individuals.
- Entrenched competition and lack of clarity on how to complement government health insurance schemes given the coverage and subsidised rates.
- Partnership with both Jubilee and Vodacom Tanzania has been a good learning experience on how to overcome market barriers with major operators, develop win-win-win strategies and create viable and sustainable solutions.

## Safika Healthcare Clinic, Mbeya

“The life of a private health facility depends on microinsurance, otherwise we would have to close.”



Dr Kapungu

## Future plans:

“We are making a difference, but not enough, so are planning to roll out Jamii nationally and internationally to impact more people.”



Lilian Makoi, EdgePoint Digital Limited, founder

## Jamii

“Following a personal experience of losing someone from a medical emergency because of \$25 needed for healthcare, I decided to research ways to provide affordable health insurance for people on low-incomes. Once I was convinced that there was a need, we launched a non-commercial pilot to test the market. The Bima Challenge has enabled us to develop essential partnerships to overcome distribution challenges and the technical and financial support to craft out a viable solution.

We are proud of the achievements we have made with the 6-month pilot project, particularly that it has convinced 5,000 people to take out insurance for the first time.”



Lilian Makoi, EdgePoint Digital Limited, founder

# Micro Health Initiative



## Products:

Kilimanjaro Health Plan (KHP) (family and individual health cover) and Dada Card

**Bima Challenge aim:** To promote inclusive health insurance in the northern zone of Tanzania through scaling the Kilimanjaro Health Plan (KHP) and launching the Dada Card.

## Objectives:

- Increase number of low cost/high quality healthcare providers
- Widen and deepen product distribution model through creation of innovative salespoints
- Customer-focussed activities to attract the general public to the scheme
- New product development, Dada Card, to reach 10-19 year old girls

## Kilimanjaro Health Plan (KHP)

“As 90% of people can't afford to pay for traditional insurance, we saw an opportunity to create inclusive insurance with low premiums to pay for medical costs for low-income groups.

Thanks to the resources and know-how that the *Bima Challenge* provided, over the last 2 years, we have been able to achieve our aim and reach over 20,000 people who were previously excluded from insurance, and successfully provide them with access to quality healthcare that they need.”



John Mugo, Micro Health Initiative, Managing Director





**Partners:** AAR Insurance Tanzania and Resolution (insurers), Maxcom Africa PLC, Selcom, Bumaco (distribution partners) and SPRING (Dada Card funding)

**Achievements to date:** There has been positive progress in driving the uptake for both service providers and users. A total of 25 health facilities are utilising the hospital management system to improve their efficiency, streamline processes and increase income levels and 14 quality improvement capacity building sessions have been conducted.

The KHP product is customer-centric in terms of pricing, benefits, registration process, quality of care and responsibility to assess and honour valid claims. It offers user-friendly digital and computerised patient and insurance record systems and a choice of over 150 verified healthcare providers.

The first of its kind in Tanzania, now with more than 1,000 policyholders, the Dada Card offers client value to teenage girls including access to youth-friendly health facilities.

### Kilimanjaro Porters Society

“The Kilimanjaro porters, whose work is to carry supplies up the mountain 3 times a month, recognise the value of KHP, as they can now afford annual health check-ups before each season starts and are more confident to face the tough physical challenges of their work and possible illnesses such as hypothermia and altitude sickness, knowing they can get treatment if they need it.

Before KHP, if they had symptoms of serious illnesses or other minor health problems, they would neither complain nor seek assistance.

→ John Mugo, Micro Health Initiative, Managing Director

### Challenges:

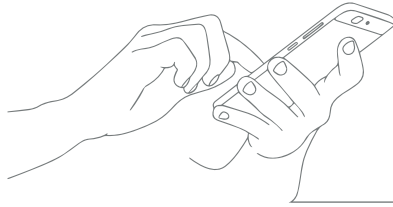
- Constraints to distribution including high costs, required effort and low awareness among patients from low-income groups of the benefits of health insurance. Success has been achieved through distribution partnerships and rolling-out of education workshops.
- Partnerships with both healthcare providers and insurance companies have provided essential learning on mechanisms to ensure good customer care, prevention of fraud, efficient data capture and timely reimbursements to healthcare providers.
- Need to constantly innovate to react to rapidly changing market as new solutions enter the market and patient and healthcare providers' knowledge increase and their needs change.
- Overcoming entrenched competition and lack of clarity on how to complement government health insurance schemes given the coverage and subsidised rates.

### Future plans:

“We are proud of our achievements in providing sustainable solutions that meet the insurance needs of low-income groups. We are now looking for investment to build on our success and use our learning from this experience to develop our product offering, expand the reach for both insurance and electronic medical records systems and strengthen our logistical operations.”

→ John Mugo, Micro Health Initiative, Managing Director

# MILVIK



Launched in 2013 by the Swedish insurance company, MILVIK, this microinsurance solution offers a nationwide “pay-as-you-go” health insurance scheme via mobile phones with a focus on the population segment with low income and education levels. Over 120,000 active customers have already been recruited using a call centre to target Tigo mobile customers.

**Products:** Bima Mkononi Ajali Binafsi, Bima Mkononi Kulazwa, Bima Mkononi Maisha

**Bima Challenge aim:** To improve customer conversion by commissioning research to inform segmentation and marketing messaging.

## Objectives:

- Quality understanding of customer, agent and call centre behaviour
- Predict customer churn and probability of agent success

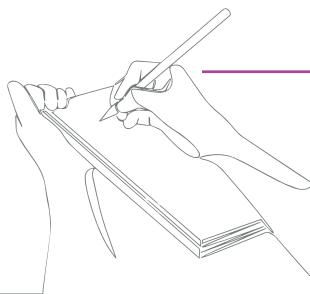
**Partners:** Tigo (MNO), MO Assurance (Insurer) and Resolution Insurance (Insurer)

## Achievements to date:

By the end of 2019, MILVIK had already completed the process improvement initiative for their mobile insurance product together with the desk review, secondary data sources and quantitative segmentation of customers and agents. The final phase of prediction models for customer churn and agent access had also been launched.

## Challenges

- Building internal staff capacity to implement testing and evaluation of recommendations. This was overcome through training conducted by the Busara Center for Behavioral Economics.
- Since the existing infrastructure supports global operations, the recommendation to upgrade technology, including the dialler software configuration and insurance platform database, was beyond the scope of the timeline.



## MILVIK

“Our challenge is to increase registration uptake and increase continuous cover through better understanding of customer behaviour, agent engagement and ways to optimise call centre processes. Our strategy was to conduct research and design interventions to drive innovative inclusive insurance by using behavioural and data science to improve distribution and customer retention.

Through the Bima Challenge, we benefitted from high quality reports, prediction modelling and eight recommendations, some of which were put into testing phase and are now a regular feature in operations.”

→ Bratin Chakravorty, MILVIK Tanzania Ltd, Country Manager

## Future plans:

“Building on the success of this initiative, our plan is to bring modification proposals to the MILVIK development team during 2020 for deployment approval after due testing. Internally, it was also felt that the association with FSDT was a great learning and further associations will be a welcome addition in improving MILVIK’s operational readiness.”

→ Bratin Chakravorty, MILVIK Tanzania Ltd, Country Manager

Products:  
Bima Mkononi Ajali Binafsi,  
Bima Mkononi Kulazwa,  
Bima Mkononi Maisha





## Other initiatives in development



### Acre Africa

Following successful microinsurance products in Kenya and Rwanda, Acre carried out research to convince regulators, implementers and farmers to develop crop insurance for smallholder farmers in Tanzania in 2015. Since then, they have built a customer base offering crop insurance against bad weather, pests, disease and low yield.

**Bima Challenge aim:** To work with insurance, seed supplier and telecommunication companies to offer small-holder farmers insurance for their seed germination for 3 weeks, as part of the price of buying seeds from Seed Co. Registration is done using mobile phones.



### Sanlam General Insurance

As part of the global Sanlam group, Sanlam General Insurance has been offering general insurance to cover individuals and businesses since 2015. Recognising the potential, they are now looking to expand their product offering to low-income groups in Tanzania.

**Bima Challenge aim:** To work in partnership with insurance consultants, a farmer aggregator and bank to demonstrate the potential of micro-insurance to offer crop insurance based on the weather index as part of cost of buying fertiliser.

### Acre Africa

“The Bima Challenge enables us to design an affordable solution which has real value for small-holder farmers and which can contribute to their financial security.”



Christopher Maga, Acre Africa,  
Portfolio Manager









# Sustainability



The sustainability of the **Bima Challenge** is seen through the milestones of the individual winners, the insurance industry and the financial sector. Sustainability, as defined in the **Bima Challenge**, relates to the development of viable business models that will increase insurance penetration for the low-income market and also provide a good value proposition to low-income customers.

The **Bima Challenge** winners have been able to test business cases and use the learnings in the development of the next phase of their respective businesses. This has been in the form of product improvements to ensure the human-centred approach is taken, forging new partnerships and exploring new markets.

There has, therefore, been adoption by the industry in the replication of various models that have embraced innovation and technology, data insights and partnerships for the development and roll-out of inclusive insurance solutions in the market. The insurance market has therefore transitioned and the industry, through the Micro-insurance Technical Working Group (TWG), will endeavour to capture and share local case studies (and international ones) on the various business cases, in order to show it is possible, it has been done and has been successful!

A new segment of the population has also been exposed to and benefited from the use of insurance as an alternative risk mitigation strategy. Through consumer education, insurers and intermediaries need to continually ensure that the consumer is adequately protected at all times and fully aware of the product benefits, how to claim and their rights as consumers.

The establishment of the TWG into a formal entity will aid in both the coordination of the market and stakeholder engagement, through the implementation of the National Inclusive Insurance Strategy (NIIS) to 2028..



As part of FSDT's strategy to gather and share learning, this focus note aims to capture the design, implementation, impact and learning of the **Bima Challenge** to further the expansion of insurance that meets the needs of low-income groups in Tanzania. This focus note will be used as part of the ongoing stakeholder engagement activities which will include online resources and industry fora.

## Learnings



### Capacity building

- Importance of expert technical assistance.
- Value of win-win-win partnerships to address barriers to supply and demand and achieve recruitment and registration strategies, particularly in reaching remote areas.
- Cost-effectiveness of staff training and motivation to raise awareness and recruit customers who understand how insurance works, the benefits and restrictions.
- New spirit of co-opetition within the insurance industry to share learnings and form partnerships.
- Maintaining staff motivation and loyalty within "start-up" nature of pilots.

### Value of human-centred policies and solutions

- Investment in human-centred solutions reaps business benefits.
- Need to constantly innovate to react to rapidly changing market on both supply and demand sides.
- Lack of awareness and education among target market, which will be addressed by the National Insurance Education Strategy (NIES).



## Innovation and new thinking

- Long-term investment in education technology and recruitment required to reach sufficient scale for payback.
- Need for regulations to keep pace with fast-moving innovation.

## Address challenges across value chain

- Challenge for healthcare providers to maintain cash-flow with delays in reimbursements from insurance companies and, although numbers of microinsurance patients are growing, the volume is still relatively low. In addition, there are challenges with verification and prevention of fraud and maintaining medicine stocks.
- Need to reach “tipping-point” where healthcare providers approach microinsurance organisations, asking to join schemes.



# Future developments to the Bima Challenge to further microinsurance

Implementation has been extended to June 2020 as part of FSDT's overall strategy extension period.



## All winners are committed to:

- Scaling up pilots nationally and internationally
- Developing and diversifying microinsurance solutions
- Exploring opportunity to develop microinsurance solutions delivered by public-private partnerships

FSDT has ensured that technical support is available in order for the winners to be enabled to transition their pilots and for operations to be sustainable.

With the conclusion of the **Bima Challenge** in June 2020, this focus note acts a record of the design, application, selection and completed pilot projects and brings together learning across all stakeholders to contribute to the goal of stimulating and aligning innovative inclusive insurance for all Tanzanians.

## Tanzania's ongoing strategy to catalyse microinsurance

Apart from the current set goal of serving at least 50% of the population with at least one insurance product by 2028, the government is committed to the national financial inclusion programme and the drive to offer microinsurance products to the majority of Tanzanians, previously excluded from insurance products and services.

The Tanzania Insurance Regulatory Authority (TIRA) is set to review the 2013 microinsurance regulations to cater to current needs, as well as agreeing for a mandatory quota share of every Gross Written Premium by any licensed insurance company to be generated from activities attached to low income earners.

Under the leadership of the Microinsurance Steering Committee (SC), the Microinsurance Technical Working Group is in the process of concluding the third National Inclusive Insurance Strategy to 2028 (NIIS) for the country. The NIIS is a comprehensive plan to achieve the national target of 50% of the adult population having at least one insurance product by 2028.

The NIIS will ensure that the alternative risk mitigation approaches targeting excluded segments of the population, namely rural farmers, youth, women and micro-enterprises, will be included within appropriate business cases that resonate with the relevant stakeholders.





**The ultimate vision for the implementation of the NIIS over the next 8 years is to achieve the following:**

- 14 million Tanzanians to be insured, with all the segments covered, especially agricultural insurance as it is relevant for nearly 80% of the population
- An enabling environment that will address market constraints, introduce a rural quota for microinsurance and for insurers to start to address the risk mitigation needs of the majority of the population
- Innovation through the use of mobile, digital and technology to be considered as one of the ways to address market constraints, promote distribution and set in place a new infrastructure for the distribution of insurance

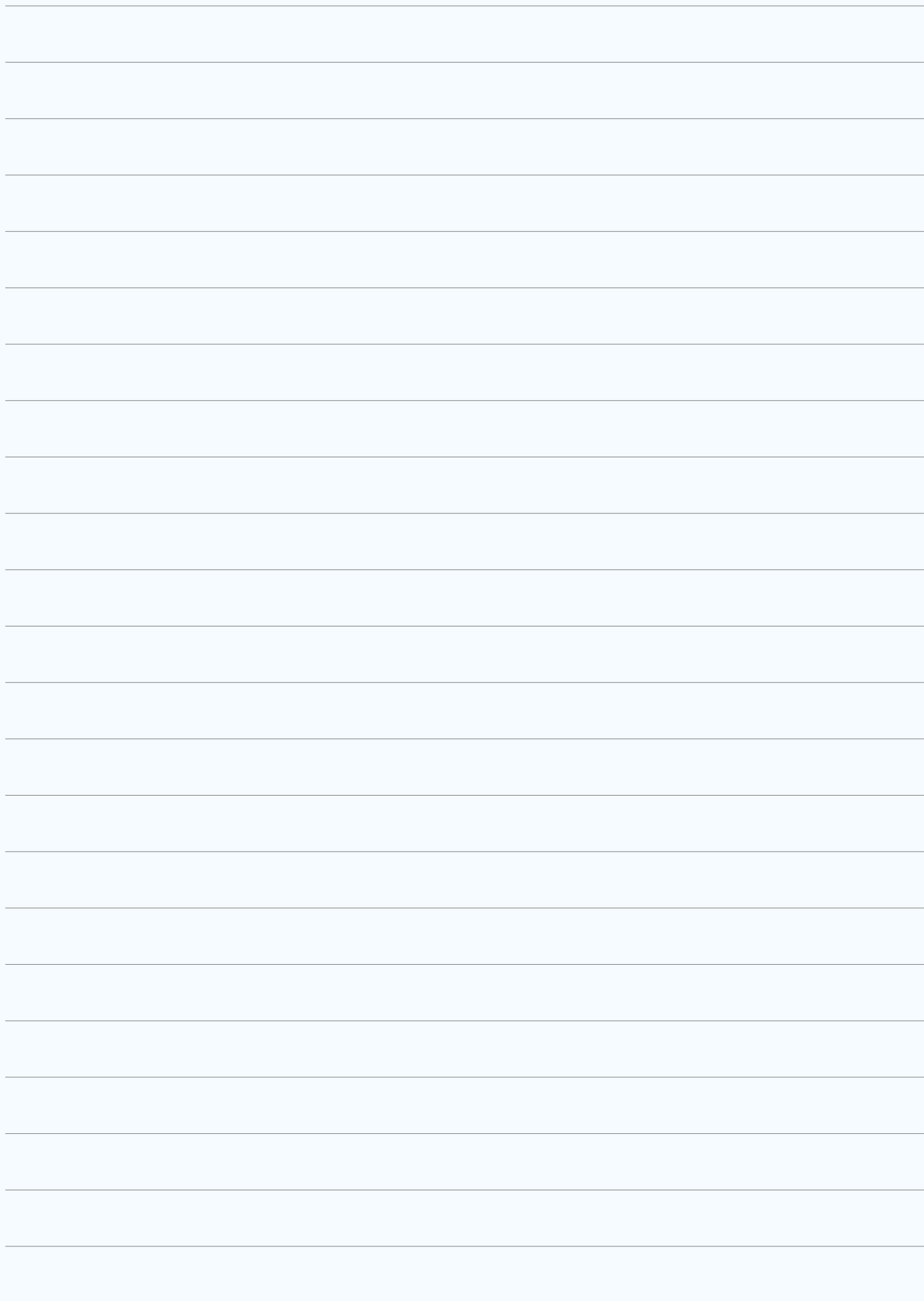
- Research insights to address skills and knowledge gaps and inform decision-making, MIS and the development of the business
- Insurers and intermediaries to make an effort to identify and know the insurance customer in order to pilot and roll out solutions that add value to the customer and beneficiaries

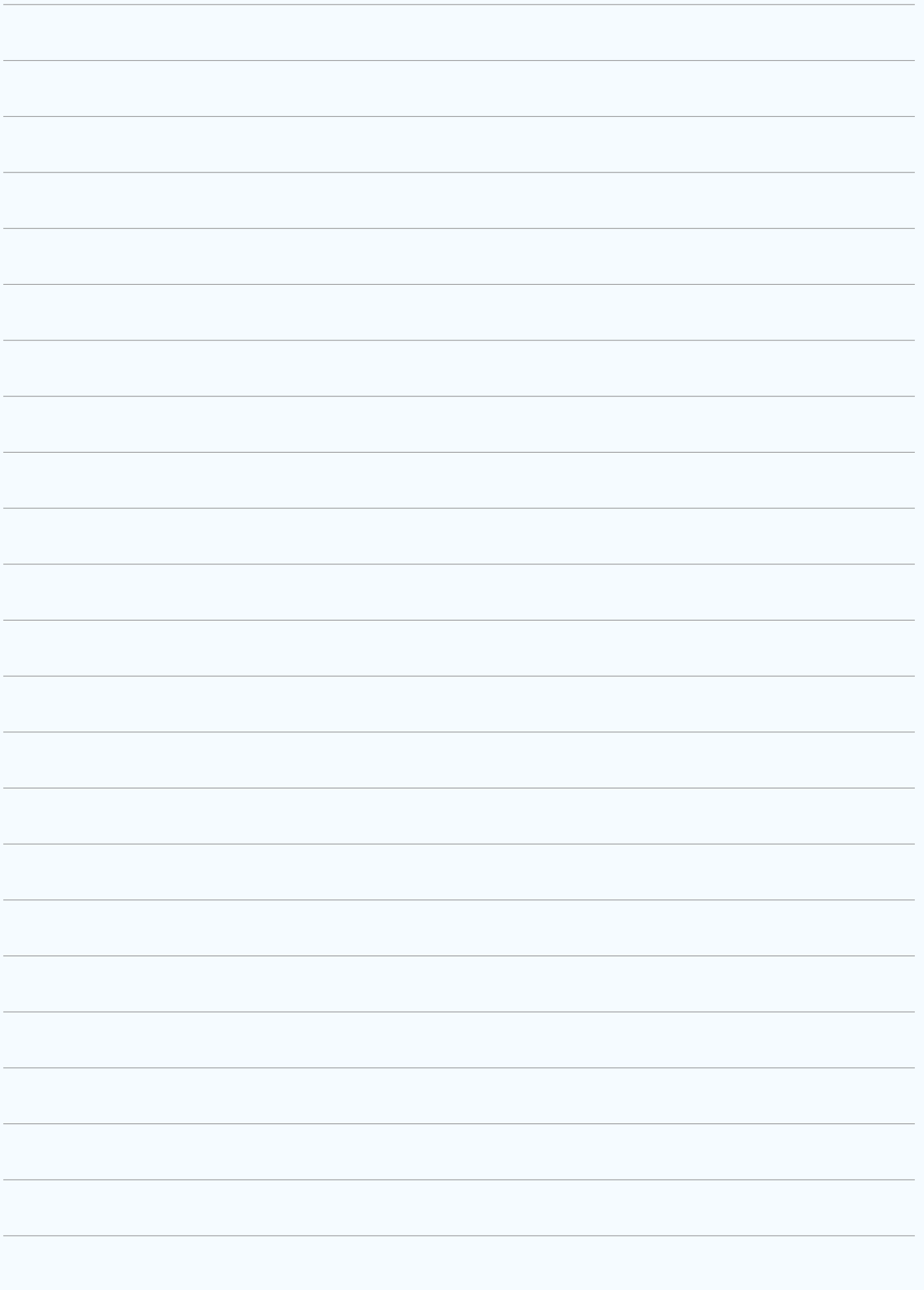
**FSDT's ongoing strategy to catalyse microinsurance in Tanzania**

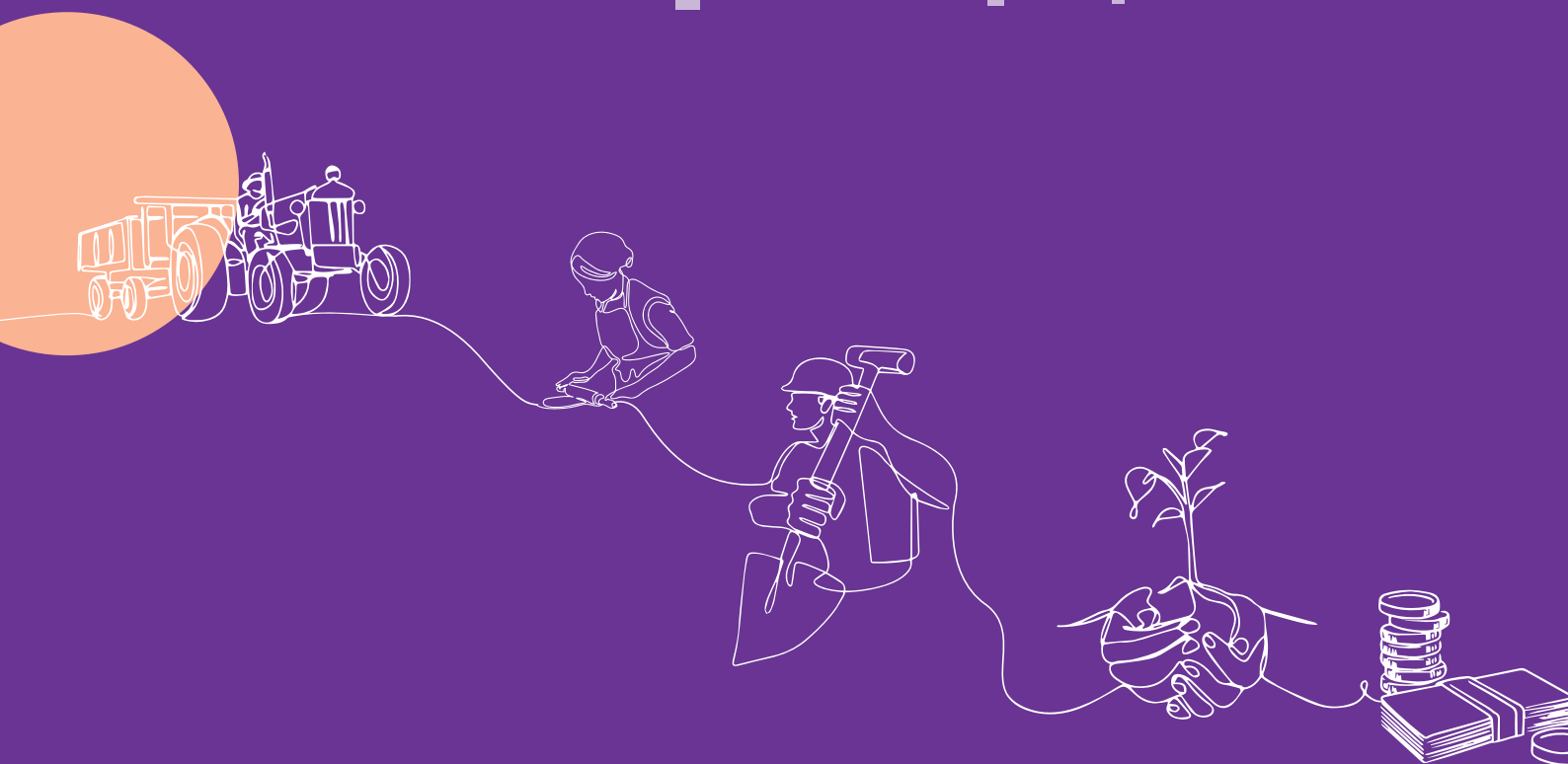
- FSDT's commitment to support the insurance sector will be aligned to the organisation's new strategy and the focus will be on the risk mitigation for the identified segments (women, rural farmers, youth and small enterprises) against the finance for growth priorities.











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